

Rep. Todd Eachus
Congressional hearing testimony
Sept. 12, 2002

Good Morning. My name is Todd Eachus and I represent the 116th Legislative District in the Pennsylvania Legislature. I would first like to thank Marge Roukema, Chairman of the House Sub-Committee on Housing and Community Opportunity under the House Committee on Financial Services for allowing me to be here and submit my remarks for the record. I would also like to thank Congressman Kanjorski for drafting this legislation, which attempts to help the people affected by the Tranguch gas spill.

We've worked side by side on this issue for many years and I applaud his efforts at the national level.

More than a decade ago, a minimum of 50,000 gallons of gasoline leaked into the Laurel Gardens neighborhood in my district, affecting about 400 homes. For more than 10 years, the residents of those homes have been living a nightmare. The government, both on the state and federal level, has continuously downplayed the severity of the situation, trying to reassure – or mislead depending upon how you look at it – these people that there is nothing to worry about.

The reality for these people is quite different. Their homes are virtually worthless. If they had the financial means to leave the neighborhood, I have no doubt they already would have done it.

Because a program to help people affected by such environmental disasters is not included in the Oil Pollution Act (OPA) or the EPA Superfund Act, Congressman Kanjorski's legislation to provide low-interest loans to affected residents so that they may escape from the pollution that cripples their health and quality of life is a good concept, and one that is long overdue.

As you move forward in discussing its merits, I ask that you keep in mind the citizens it is designed to assist and protect. I have a few observations and recommendations I urge you to consider on behalf of the residents of the spill area I represent, as well as on behalf of all people who are victims of a gas spill, leak or related environmental hazard.

As the concept for the low-interest program progressed, it was determined that Housing and Urban Development, and not the Environmental Protection Agency, would be better equipped to administer the loans, as well as the loan forgiveness provisions of the bill. In addition to being an impartial party in the process, HUD is better equipped and has a better knowledge of this kind of assistance. I strongly urge you to keep HUD in the process.

Additionally, I believe the loan program should be available to everyone affected by the environmental hazard and not based on a family's income. The spill in my district did not distinguish between the rich and the poor. It did not decide which families it would harm.

Every family affected by this spill has suffered substantial hardship. Every family should qualify for assistance.

I also have some concerns about the bill's language relating to the low-interest loans. Although the bill puts the final decision on loan rates in the Secretary of HUD who is expected to ensure the loans are at a low-interest rate, the bill itself does not guarantee the rates will be low. Under the bill, the rates of the loan are agreed upon by the borrower and lender, and found reasonable by the Secretary. However, it also says the rate cannot exceed "the rate generally charged in the area...for home mortgage loans *not* guaranteed or insured by any agency or instrumentality of the Federal government...". Since these *are* loans that will be guaranteed by the federal government, why shouldn't the cap be based on the rate generally charged for guaranteed loans? Those rates definitely would be lower than loans that are not guaranteed.

Also under the bill, the borrower can obtain a loan to buy or lease new property or to use the equity in the home for whatever purpose they chose. While the bill is clear that the loan can be for 100% of pre-release value, I would recommend clarifying that for loans based upon the "equity," in the property as described on Page 3, Line 12 of the bill, the equity is also determined based on the pre-release value of the property. In today's market, there may not be any equity in these homes.

I also believe the loan forgiveness provisions of the bill are particularly critical for people with existing mortgages. If they are using the proceeds to buy new property to live in, they will still have two mortgages to pay – the one existing on their current home and the new mortgage guaranteed by the federal government. The provisions that set forth the reasons the Secretary can consider for forgiving the loans do include financial hardship. It also includes the following reason: "the borrower...is unable to continue payments under the loan due to the nature and extent of the release affecting the qualified property...". This is not quite clear to me. Many of the people I represent may be unable to continue making payments because of two mortgages to pay, one of which is on property that has no value. This reason to allow forgiveness could be strengthened by adding language after "nature and extent of the release affecting the qualified property" to say "so that return to pre-release value is unlikely within a reasonable period of time."

My last point relates to the federal loan guarantee. Under the bill, the federal government would guarantee 90 percent of the loan. The borrower is required to obtain either private mortgage insurance or a guarantee from another government agency for the other 10 percent in order to qualify for the federal loan guarantee. I honestly don't know how readily available private mortgage insurance or other guarantees would be, so I would simply ask the committee to try to determine how available these would be and if they will not be readily available for these properties, then the bill should be changed to provide for a 100 percent guarantee by the federal government.

I realize this is a draft piece of legislation that will require additional work and further exploration. But it is a good bill; one that will improve the lives of hundreds if not thousands of Americans who are victims of gas spills and related environmental hazards.

I am a firm believer that something done on behalf of people who have been hurt is better done late than never. Not only would you be providing the residents in my district release from the horrible situation they've been forced to endure for more than 10 years, but also you would help to ensure that no one else across the country ever has to suffer the way these people have.

Thank you for your time and consideration.